MULTIMEDIA UNIVERSITY

STUDENT ID NO

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FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BSM3104 – STRATEGIC MANAGEMENT

(All sections / Groups)

9 MARCH 2018
3.00 p.m. – 5.00 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of FOUR (4) pages, excluding the cover page.
2. There are **THREE (3)** questions in Section A, and **THREE (3)** questions in Section B. Attempt **ALL** questions. The distribution of marks for each question is as given.
3. Please write all your answers in the Answer Booklet provided.

SECTION A: CASE STUDY (40 MARKS)

Instruction: Read the case carefully and answer ALL THREE (3) questions at the end of the case. Your answers should not be limited to the content of the case.

Rewind and Replay

There's no doubt that people like to watch movies, but *how* they watch those movies has changed. Although many people still prefer going to an actual movie theater, more and more are settling back in their easy chairs in front of home entertainment systems, especially now that technology has improved to the point where those systems are affordable and offer many of the same features as those found in movie theaters. Along with the changes in *where* people watch movies, *how* people get those movies has changed. For many, the weekend used to start with a trip to the video rental store to search the racks for something good to watch, an approach Blockbuster built its business on. Today's consumers can choose a movie by going to their computer and visiting an online DVD subscription and delivery site where the movies come to the customers - a model invented by Netflix.

Launched in 1999, Netflix's subscriber base grew rapidly. It now has more than 50 million subscribers and thousands of movie titles and other contents from which to choose. From the beginning, Netflix's goal was to provide the most extensive and all-exclusive selection of DVDs, a simple and fast way to select movies, and fast, free delivery.

Neflix founder and CEO Reed Hastings believed in the approach he pioneered and set some ambitious goals for his company: build the world's best internet movie service and grow earnings per share (EPS) and subscribers every year. In 2011, though, Hastings made a decision that had customers complaining loudly. Netflix's troubles began when it announced it would charge separate prices for its DVDs-by-mail and streaming video plans. Then, it decided to rebrand its DVD service as Qwikster. Customers raged so much that Netflix reversed that decision and pulled the plug on the entire Qwikster plan. As Netflix regained its focus with customers, it was once again ready to refocus on its competitors.

Success ultimately attracts competition. Other businesses want a piece of the market. Trying to gain an edge in how customers get the movies they want, when and where they want them, has led to an all-out competitive war. Now, what Netflix did to Blockbuster, other competitors are doing to Netflix. Hastings said he has learned never to underestimate the competition. He says, "We erroneously concluded that Blockbuster probably wasn't going to launch a competitive effort when they hadn't by 2003. Then in 2004, they did. We thought...well they won't put much money behind it. Over the past four years, they've invested more than $500 million against us. Not wanting to suffer the same fate as Blockbuster (it filed for bankruptcy protection in 2010 and was sold to Satellite TV service provider Dish Network in 2011), Netlfix is bracing for other onslaughts. In fact, CEO Hastings, defending his misguided decisions in 2011 said, "We did so many difficult things this year that we got overconfident. Our big obsession for the year was streaming, the idea that 'let's not die with DVDs."

The in-home filmed entertainment industry is intensely competitive and continually changing. Many customers have multiple providers (e.g., HBO, renting a DVD from Red Box, buying a DVD, streaming a movie from providers such as Hulu, Apple, and Amazon) and may use any or all of those services in the same month. Video-on-demand and streaming are becoming extremely competitive.

To counter such competitive challenges, Hastings is focusing the company's competitive strengths on a select number of initiatives. The most important initiative is continuing to improve its programming, its personalization technology, and its marketing to attract new customers. He says, "Streaming is the future; we're focused on it. DVD is going to do whatever it's going to do.

We don't want to hurt it, but we're not putting much time or energy into it." Other strategic initiatives include embarking on a substantial European expansion, negotiating contracts with cable providers for direct connectivity, developing profitable partnerships with other content providers, controlling the cost of streaming content, and even continuing to create original series. In fact, its first original series, called *House of Cards* and starring Kevin Spacey, won a Primetime Emmy Award in 2013. The company also premiered its newest hit series, *Orange Is the New Black.* With other companies hoping to get established in the market, the competition is intense. Does Netflix have the script it needs to be a dominant player? CEO Hastings says, "If it's true that you should be judged by the quality of your competitors, we must be doing pretty well."

Source: *Robbin, S.P. and Coulter, M. (2015). Management, 13th Edition, Pearson Education Limited, pp. 290-291.*

a) Part of the internal assessment process is to analyze the strengths and weaknesses of the organization. Briefly explain any FIVE (5) strengths and FIVE (5) weaknesses of Netflix.

(10 marks)

b) Using the points discussed in the previous question, prepare an Internal Factor Evaluation (IFE) matrix for Netflix by using the template below. Calculate and discuss the meaning of the Total Weighted Score of the IFE matrix

(15 marks)

Key Internal Factors		**Weight**	**Rating**	**Weighted Score**
Strengths				
1.		**0.20**	**4**	
2.		**0.20**	**4**	
3.		**0.18**	**3**	
4.		**0.15**	**3**	
5.		**0.05**	**3**	
Weaknesses				
1.		**0.10**	**2**	
2.		**0.05**	**2**	
3.		**0.03**	**1**	
4.		**0.02**	**1**	
5.		**0.02**	**1**	
Total		**1.00**		

Continued...

c) Choose any THREE (3) strategies that can be implemented by Netflix. Then, provide detail explanations on how each strategy will be implemented, and include a specific example for each strategy.

(15 marks)

[Total: 40 marks]

SECTION B: ESSAY/STRUCTURED QUESTIONS (60 MARKS)
Instruction: Answer ALL THREE (3) questions.

QUESTION 1

(a) Discuss the similarities and differences between business and military strategy.

(10 marks)

(b) Define what is a mission statement. Based on the mission statement below, identify the NINE (9) components that are covered in the mission statement and the corresponding statement/keyword that reflects the component *(Name of component - Keyword/statement)*.

> Our mission is to design, produce, and distribute the world's best fragrances, perfumes, and personal care products to women, men, and children by utilizing the latest technological improvements. We empower our highly creative team of researchers to develop safe, eco-friendly products that will enable our firm to profitably grow through thousands of retail outlets. We strive to be one of the most socially responsible firms on the planet and appreciate our employees making that happen, while following the "golden rule" in all that we do.

(10 marks)

[Total: 20 marks]

Continued...

QUESTION 2

(a) Explain any FOUR (4) major types of external forces that should be examined as part of an external audit with an example of each type of force.

(8 marks)

(b) Prepare a BCG matrix for a real-life company of your choice and describe each category in detail, including examples of the company's products or services.

(12 marks)

[Total: 20 marks]

QUESTION 3

(a) As the newly appointed Chief Executive Officer of Circlergy Berhad, you have been tasked to turn around the company into profitability. You are planning to implement various changes at operational and strategic level, but you are noticing a strong resistance from people within the company. Explain in detail any THREE (3) techniques to reduce resistance to change by including relevant examples.

(15 marks)

(b) Discuss the differences between the business culture of USA and Mexico.

(5 marks)

[Total: 20 marks]

End of Page